

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE APPLICATION OF THE)
FUEL ADJUSTMENT CLAUSE OF UNION LIGHT,) CASE NO. 8592
HEAT AND POWER COMPANY FROM)
NOVEMBER 1, 1980, TO OCTOBER 31, 1982)

O R D E R

Pursuant to 807 KAR 5:056, Sections 1(11) and 1(12), the Public Service Commission ("Commission") issued its Order on September 21, 1982, scheduling a hearing to review the operation of the fuel adjustment clause of Union Light, Heat and Power Company ("ULH&P") for the past 2 years and to determine the amount of fuel cost that should be transferred (rolled in) to the base rates in order to reestablish the fuel clause charge in accordance with 807 KAR 5:056, Section 1(2).

In response to the Commission's requests for information, ULH&P proposed to use the test year ended October 31, 1982, as the base period for the purpose of arriving at the base fuel cost [F(b)] and the KWH sales [S(b)] components of the fuel adjustment clause. The base fuel cost proposed by ULH&P was 19.091 mills per KWH. ULH&P

provided all requested information, and following proper notice, a hearing was held on January 24, 1983.

The sole intervenor in this case was the Consumer Protection Division of the Attorney General's Office ("AG"). The AG did not offer testimony, and on cross-examination did not challenge the level of actual fuel cost included in ULH&P's monthly fuel filings, or the proposed base fuel cost of 19.09 mills per KWH.

In establishing the appropriate level of base fuel cost to be included in ULH&P's rates, the Commission must determine whether the proposed base period fuel cost per KWH is representative of the level of fuel cost currently being experienced by ULH&P. The Commission's analysis of ULH&P's monthly fuel clause filings shows that the actual fuel cost incurred for the year ended October 1982 ranged from a low of 16.392 mills per KWH in February 1982 to a high of 21.254 mills per KWH in December 1981. The Commission is of the opinion that ULH&P has complied with 807 KAR 5:056, and that the base period fuel cost of 19.091 mills per KWH should be approved.

ULH&P, like Kentucky Power Company, bills its customers on a daily cycle basis. In Case No. 8058, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Power Company pursuant to 807 KAR 5:056E, Sections 1(11) and (12), the Commission determined that a transfer (roll-in) of fuel

costs into the base rates would result in Kentucky Power Company not being able to bill all of the increase in fuel costs for the 2 months immediately preceding the first month the new base fuel cost is billed. Similarly, the Commission is of the opinion that ULH&P will not be able to bill all of the increase in fuel costs. The Commission will explain the problem of under-recovery due to the roll-in of the new base fuel cost with the following illustration:

Two assumptions must be made for this illustration. First, assume the Commission approves the roll-in of a base fuel cost of 19.09 mills per KWH effective for bills rendered on and after August 1, 1983. Second, assume that the actual fuel costs for June and July of 1983 are 20.09 and 21.09 mills per KWH, respectively. Since one-half of June sales are billed in June and the other one-half are billed in July, the base fuel cost of 13.93 mills per KWH would apply to both months. Thus, the applicable fuel adjustment clause rate for June would be 6.16 mills per KWH (20.09 less 13.93) and would be recovered from customers beginning with the first cycle billed in August 1983.

The recovery of July fuel costs is not as easily computed since one-half of the sales billed in July would be subject to the old base fuel cost of 13.93 mills per KWH and the other one-half billed in August would be subject to the new base fuel cost of 19.09 mills per KWH. While a precise calculation cannot be made, in Case No. 8058 the Commission determined that a reasonable solution to this problem would be to average the base fuel cost prior to roll-in of 13.93 mills per KWH and the base fuel cost after roll-in of 19.09 mills per KWH resulting in 16.51 mills per KWH. Thus, the rate for July would be 4.58 mills per KWH (21.09 less 16.51) and would be recovered from its customers beginning with the first cycle billed in September 1983. The Commission is of the opinion that the use of this procedure will eliminate any material impact on ULH&P and its customers due to the roll-in of the new fuel cost into the base rates.

The Commission, having considered the evidence of record and being advised, finds that:

1. ULH&P has complied in all material respects with the provisions of 807 KAR 5:056.

2. The test year ended October 31, 1982, should be used as ULH&P's base period in this proceeding.

3. ULH&P's proposed base period fuel cost of 19.091 mills per KWH should be approved.

4. The establishment of a base fuel cost of 19.091 mills per KWH requires a transfer (roll-in) of .516 cents per KWH from the fuel adjustment clause rate to ULH&P base rates and can best be accomplished by an energy adder to each KWH sold.

5. The revised rates and charges in Appendix A are designed to reflect the transfer (roll-in) to base rates of the differential between the old base fuel cost of 13.934 mills per KWH and the new base fuel cost of 19.091 mills per KWH.

6. The rates in Appendix A should be approved for bills rendered on and after August 1, 1983.

7. The fuel adjustment clause rate for June to be billed in August should be computed using the current base fuel cost of 13.934 mills per KWH.

8. The fuel adjustment charge rate for July to be billed in September should be computed using a base fuel cost of 16.513 mills per KWH which is the average of the fuel cost

prior to roll-in of 13.934 mills per KWH and the base fuel cost after roll-in of 19.091 mills per KWH.

9. The fuel adjustment clause rate for August and the succeeding months should be computed using the base fuel cost of 19.091 mills per KWH which includes the roll-in of .516 cents per KWH approved herein.

IT IS THEREFORE ORDERED that the charges collected by ULH&P through the fuel adjustment clause for the period November 1, 1980, through October 31, 1982, be and they hereby are approved.

IT IS FURTHER ORDERED that ULH&P's proposed base period fuel cost of 19.091 mills per KWH be and it hereby is approved.

IT IS FURTHER ORDERED that the rates in Appendix A be and they hereby are approved for bills rendered by ULH&P on and after August 1, 1983.

IT IS FURTHER ORDERED that the current base fuel cost of 13.934 mills per KWH shall be used to compute the fuel adjustment clause rate for June 1983.

IT IS FURTHER ORDERED that the average base fuel cost of 16.513 mills shall be used to compute the fuel adjustment clause rate for July 1983.

IT IS FURTHER ORDERED that the base fuel cost of 19.091 mills per KWH shall be used to compute the fuel adjustment clause rate for succeeding months.


IT IS FURTHER ORDERED that within 30 days from the date of this Order ULH&P shall file with the Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 14th day of **July**, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 8592 DATED JULY 14, 1983

The following rates and charges are prescribed for the customers in the area served by Union Light, Heat and Power Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATE RS*
(RESIDENTIAL SERVICE)

Net Monthly Bill

	<u>Summer</u>	<u>Winter</u>
First 1,000 kilowatt hours	5.636¢ per KWH	5.636¢ per KWH
All kilowatt hours over 1,000 kilowatt hours	5.346¢ per KWH	4.196¢ per KWH

RATE DS*
(SERVICE AT DISTRIBUTION VOLTAGE)

Net Monthly Bill

Energy Charge	
First 6,000 KWH	6.042¢ per KWH
Next 300 KWH/KW	3.593¢ per KWH
Additional KWH	3.041¢ per KWH

RATE TS*
(SERVICE AT TRANSMISSION VOLTAGE)

Net Monthly Bill

Energy Charge	
First 300 KWH/KVA	3.456¢ per KWH
Additional KWH	3.146¢ per KWH

RATE POL*
(PRIVATE OUTDOOR LIGHTING SERVICE)

Net Monthly Bill

The following monthly charge for each lamp with luminaire, controlled automatically, mounted on a utility pole, as specified by the Company, with a span of wire not to exceed 120 feet, will be assessed:

	<u>KW/Luminaire</u>	<u>KWH</u>	<u>Rate/KWH</u>
7,000 Lumen Mercury, Open Refractor	0.203	70	9.048¢
7,000 Lumen Mercury, Enclosed Refractor	0.190	66	12.392¢
10,000 Lumen Mercury, Enclosed Refractor	0.271	93	10.166¢
21,000 Lumen Mercury Enclosed Refractor	0.437	151	8.319¢

The following monthly charges, for existing facilities, will be assessed but this unit will not be offered to any new customer after May 15, 1973:

	<u>KW/Luminaire</u>	<u>KWH</u>	<u>Rate/KWH</u>
2,500 Lumen Mercury, Open Refractor	0.109	38	15.158¢
2,500 Lumen Mercury, Enclosed Refractor	0.109	38	20.741¢

RATE SP*
(SEASONAL SPORTS SERVICE)

Net Monthly Bill

Energy Charge
All kilowatt hours 7.386¢ per KWH

RATE EH*
(OPTIONAL RATE FOR ELECTRIC SPACE HEATING)

Net Monthly Bill

Energy Charge - Winter period:
All kilowatt hours 4.520¢ per KWH

RATE URD*
(UNDERGROUND STREET LIGHTING)

Net Monthly Bill

The following monthly charge for each lamp with luminaire, controlled automatically, with an underground service wire not to exceed 35 feet from the service point, will be assessed:

	<u>KW/Luminaire</u>	<u>KWH</u>	<u>Rate/KWH</u>
7,000 Lumen Mercury, Mounted on a 17-foot Plastic Pole	0.203	70	15.052¢
7,000 Lumen Mercury, Mounted on a 17-foot Wood Laminated Pole	0.203	70	15.052¢
7,000 Lumen Mercury, Mounted on a 30-foot Wood Pole	0.203	70	13.934¢

RATE FL*
(FLOOD LIGHTING)

Net Monthly Bill

The following monthly charge for each lamp with luminaire, controlled automatically, mounted on a utility pole, as specified by the Company, with a span of wire not to exceed 120 feet will be assessed:

	<u>KW/Luminaire</u>	<u>KWH</u>	<u>Rate/KWH</u>
21,000 Lumen Mercury	0.460	159	7.792¢
52,000 Lumen Mercury (35-foot wood pole)	1.102	380	5.596¢
52,000 Lumen Mercury (50-foot wood pole)	1.102	380	6.493¢
50,000 Lumen High Pressure Sodium	0.476	165	9.195¢

RATE SL*
(STREET LIGHTING SERVICE)

Net Monthly Bill

The following monthly charge for each lamp with luminaire, controlled automatically, will be assessed:

<u>Description</u>	<u>KW/Lum.</u>	<u>Rate/KWH</u>		
		<u>Additional Facilities</u>		
		<u>Existing Facilities</u>	<u>Wood Pole(a)</u>	<u>Embedded Steel Pole</u>
Overhead Dist. Area:				
Incandescent				
1000 lumens (b)	.092	5.311¢	-	-
2500 lumens (b)	.189	7.970¢	-	-
Mercury Vapor				
2500 lumens	.109	13.058¢	-	-
7000 lumens	.190	7.992¢	12.794¢	24.024¢
10000 lumens	.271	6.789¢	10.166¢	18.029¢
21000 lumens	.425	5.512¢	7.686¢	-
Sodium Vapor				
9500 lumens	.117	15.930¢	-	-
22000 lumens	.246	9.526¢	-	-
50000 lumens	.471	7.148¢	9.354¢	-

Description	KW/Lum.	Rate/KWH Mounted On-Pole Type				
		30' Wood	28' Aluminum	27' Steel 11 Gauge	27' Steel 3 Gauge	Fac. Chg.(f)
Underground Dist.						
Area -						
Residential						
(only):						
Mercury Vapor						
7000 lumens	.210	12.392¢	14.799¢	25.216¢	26.018¢	1.273¢
10000 lumens	.292	9.881¢	11.570¢	18.873¢	19.433¢	1.053¢
21000 lumens	.460	7.443¢	-	13.174¢	13.533¢	.856¢
Sodium Vapor						
50000 lumens (c)	.471	9.354¢	-	-	-	.816¢
Decorative-Mercury						
Vapor, 7000 lumens						
Town & Country (d)	.208	12.857¢	-	-	-	1.230¢
Holophane (e)	.210	13.618¢	-	-	-	1.230¢

- (a) Where a street lighting unit is to be installed on a non-company owned pole on which the Company does not have an existing contract, an additional charge of \$3.15 per pole will be applicable.
- (b) New or replacement units are not offered by the Company.
- (c) Mounted on 40' wood pole.
- (d) Fixture mounted on 17' wood luminated pole.
- (e) Fixture mounted on 17' fiber glass pole.
- (f) For underground lights, \$0.50 per month shall be added to the price per month per street lighting unit for each increment of 25' of secondary wiring beyond the initial 25' from the pole.

RATE TL*
(TRAFFIC LIGHTING SERVICE)

Net Monthly Bill

Computed in accordance with the following charges:

All kilowatt hours at 4.340¢ per kilowatt hour.

RATE OL*
(OUTDOOR LIGHTING SERVICE)

Net Monthly Bill

The following monthly charge for each lamp with luminaire, controlled automatically, mounted on a utility pole, as specified by the Company, with a maximum mast arm of 10 feet for overhead units, will be assessed:

<u>Lighting Served With Overhead Facilities (OH)</u>		<u>KW/Luminaire</u>	<u>Rate/KWH</u>
9,500 Lumen High Pressure Sodium-Enclosed		0.117	18.106¢
9,500 Lumen High Pressure Sodium-Open		0.117	13.946¢
22,000 Lumen High Pressure Sodium-Enclosed		0.246	11.006¢
50,000 Lumen High Pressure Sodium-Enclosed		0.471	6.636¢

<u>Lighting Served With Underground Facilities (URD)</u>	<u>KW/Luminaire</u>	<u>Rate/KWH</u>
9,500 Lumen High Pressure Sodium-Enclosed	0.117	18.106¢
9,500 Lumen High Pressure Sodium-Open	0.117	13.946¢
9,500 Lumen High Pressure Sodium-TC 100 R	0.146	16.676¢
22,000 Lumen High Pressure Sodium-Enclosed	0.246	11.006¢
<u>Floodlighting (FL)</u>		
22,000 Lumen High Pressure Sodium	0.246	10.716¢
50,000 Lumen High Pressure Sodium	0.476	6.906¢

Additional facilities, if needed will be billed at the time of installation.

RIDER F FUEL COST ADJUSTMENT

Whenever the average monthly cost of fuel charged by the Company's electrical energy supplier is greater than or less than the cost of fuel per kilowatt hour of sales established in the base period, there shall be added to or subtracted from the net monthly bill to which this Rider is applicable, an amount determined by multiplying the number of kilowatt hours consumed by the customer during the period for which the bill is rendered by a FUEL COST ADJUSTMENT.

The Fuel Cost Adjustment is expressed in a formula as follows:

$$\text{Fuel Cost Adjustment} = \frac{F(m)}{S(m)} - \frac{F(b)}{S(b)}$$

where F is the fuel cost in the base (b) and current (m) periods and S is sales in the base (b) and current (m) periods.

The Fuel Costs (F) shall be the most recent actual monthly cost of:

- (a) the actual identifiable fossil and nuclear fuel costs associated with energy purchased; and less
- (b) the cost of fossil fuel recovered through inter-system sales.

Sales (S) shall be all KWH's sold, including Company use but excluding inter-system sales. Whenever energy losses for any twelve month period ending with the current month's Fuel Cost Adjustment determination exceed ten (10) percent, Sales shall be adjusted to reflect energy losses of ten (10) percent.

It has been determined that the base period fuel cost $[F(b)/S(b)]$, as of August 1, 1983, is 1.9091 cents per kilowatt hour.

*The monthly kilowatt hour usage shall be subject to plus or minus an adjustment per KWH determined in accordance with the "Fuel Adjustment Clause."